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IN THIS ISSUE...

Connecticut Continues on a Path to Recovery 1-3, 5

Economic Indicators

- of Employment 4
- on the Overall Economy 5
- Individual Data Items 6-8
- Comparative Regional Data 9
- Economic Indicator Trends 10-11
- Business & Economic News 15
- Business and Employment Changes Announced in the News Media 19
- Labor Market Areas:

 - Nonfarm Employment 12-17
 - Sea. Adj. Nonfarm Employment 14
 - Labor Force 18
 - Hours and Earnings 19

- Cities and Towns:

 - Labor Force 20-21
 - Housing Permits 22

- Technical Notes 23
- At a Glance 24

In January...

Nonfarm Employment

Connecticut 1,630,600
 Change over month +0.44%
 Change over year +0.7%

United States 132,409,000
 Change over month +0.18%
 Change over year +1.5%

Unemployment Rate

Connecticut 8.0%
 United States 8.3%

Consumer Price Index

United States 226.7
 Change over year 2.9%

Connecticut Continues on a Path to Recovery

By Lincoln Dyer and Jungmin Charles Joo

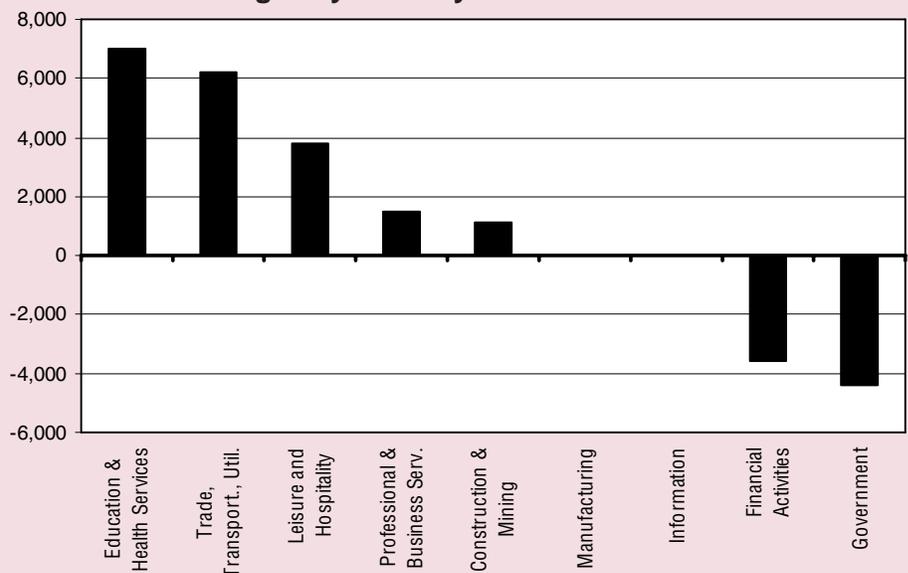
Connecticut’s employment recovery from the devastating global financial recession continues. However, much more remediation, rebirth, and renewal are needed for a stable and lasting jobs revival. The January 2012 total nonfarm employment estimate is off to a promising start toward that end with a 7,100 job gain (0.4%). And the year-over-year job growth is accelerating to 0.7% in January 2012 from 0.5% in December 2011. The recently revised seasonally adjusted employment estimates confirm that Connecticut is making its way beyond this generational downturn.

Recently revised seasonally adjusted nonfarm job numbers show that Connecticut has gained back 35,900 (30.6%) of the now 117,500 jobs (was 119,200) lost in the somewhat newly defined

downturn. This recessionary job loss was 6.9% of total nonfarm employment for the state (6.4% for the U.S.). The revised data for Connecticut now point to February 2010 as the new end to 23 months of job loss that began in March of 2008 when nonfarm employment peaked at 1,712,200. The previous bottom was designated as January 2010. Since that time the Nutmeg state has been on a slow and sometimes unsteady path to job recovery, lagging modestly behind the national employment recovery (36.1% vs. 30.6% of lost jobs recovered).

The newly revised jobs data show that the new high-water mark in this recovery was April 2011 at 1,631,100 jobs for Connecticut. Connecticut was outpacing the national recovery, but due to relatively large declines in our government sector, we have lost ground. State government

Job Changes by Industry: Jan. 2011 to Jan. 2012



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retirements, local government layoffs and declines in tribal employment all contributed. Two major storms hit the state last fall, resulting in significant though temporary workforce impacts.

Employment: Jan. 2011 to Jan. 2012

As the chart on the front page shows, since the beginning of 2011, the educational and health sector has led all supersector increases (7,000, 2.2%) and continues to generate unwavering job growth through the recession and recovery. Trade, transportation, and utilities is the next largest job creator (6,200, 2.1%) in the last year, reflecting the fact that consumer demand is picking up. The leisure and hospitality sector (3,800, 2.8%) has also added jobs in this recent year, and are being supported mainly by growth from accommodation and food services (3,500, 3.1%). Professional and business services, which are showing a solid annual average gain, pulled back in January, but still are solidly supporting the recovery (1,500, 0.8%) in 2011. Construction industries are still being impacted negatively by the housing bust and foreclosure mess, but the specialty trades component, in particular, had perked up in the last year, pulling this sector off the nadir for some positive gains over the year (1,100, 2.1%). Other services, higher by 300 over the year (0.5%), had been impacted in late 2011 with demand for repair services for the twin storms, but have since settled back. Mining, manufacturing, and information were unchanged over the year. Manufacturing, however, actually increased for the first time since 1998, on an annual average basis.

Government was the biggest declining sector over the year (-4,400, -1.8%). Financial activities segment also continued to lose ground (-3,600, -2.6%) despite securities and investments (where hedge funds reside) matching an old August 2008 high (23,400 in May 2011).

Regionally, the Hartford labor market area led all labor markets in the state and has added 5,100 jobs, or just under one percent since January 2011. The Capital area led

the state's regional growth despite state government retirements that were larger than expected in 2011. Hartford started the year off with a 1,200 job gain in January 2012. The smaller Danbury labor market led the state in job growth in percentage terms over the year at 2.3% (1,500). However, Danbury lost jobs to start the year, -700 (-1.0%).

The Bridgeport-Stamford labor market led all declining regions, down 5,000 positions, or -1.3% at 394,300 for January 2012. The gold coast area seemed to have peaked in July at 401,000 jobs but has since pulled back, especially with January 2012's loss of 5,100 jobs that wiped out the current expectation for job gains. We are working with BLS to determine whether this apparent job loss was an anomaly. The supporting UBS investment banking presence in the region is a core concern. The biggest declining area in terms of percentage job loss continued to be the Norwich-New London labor market. The southeastern part of the state actually had the largest percentage January 2012 gain (1,200, 1.0%) in the state, but is still lower by 2,400 positions (-1.9%) over the year. Pfizer research relocations out of state and Indian gaming attrition are still hard to overcome. Both New Haven (1,900, 0.7%) and Waterbury (500, 0.8%) are adding jobs over the year, but each experienced job losses to start 2012.

Economic Indicators: 2010 to 2011

Connecticut economic indicators have shown signs of a significant turnaround last year. Analyzing on an annual average basis (table on page 3), Connecticut added 15,500 (+1.0%) jobs in 2011, after losing 18,600 (-1.1%) in 2010, and 2,400 (-4.3%) in 2009. The nation did slightly better with a 1.1% increase in jobs over the year.

Unlike in 2010, most of the major industry sectors gained jobs. Educational and health services, professional and business services, and leisure and hospitality all underwent a healthy employment growth last year. On the other hand, information, financial activities, and government continued to shed jobs.

--Continued on page 5--

Connecticut Economic Indicators, 2002-2011 (Annual Averages)

STATEWIDE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NONFARM EMPLOYMENT (000s)										
TOTAL NONFARM.....	1,664.9	1,644.5	1,649.8	1,662.0	1,680.6	1,698.2	1,699.0	1,626.6	1,608.0	1,623.5
TOTAL PRIVATE.....	1,415.6	1,398.5	1,407.0	1,418.3	1,434.7	1,449.0	1,446.5	1,378.4	1,363.8	1,384.7
GOODS PRODUCING.....	275.4	262.6	263.6	261.9	261.4	260.1	253.3	226.4	216.1	218.2
SERVICE PROVIDING.....	1,389.5	1,381.9	1,386.2	1,400.2	1,419.2	1,438.1	1,445.7	1,400.2	1,391.9	1,405.4
CONST., NAT. RES. & MIN.....	64.2	62.6	66.4	66.6	67.9	69.3	66.1	55.2	50.6	51.8
MANUFACTURING.....	211.2	200.0	197.2	195.2	193.5	190.8	187.3	171.2	165.6	166.4
Durable Goods.....	156.3	147.7	146.3	145.5	145.2	144.4	143.5	131.8	127.3	128.4
Non-Durable Goods.....	54.8	52.4	50.8	49.7	48.2	46.4	43.8	39.4	38.3	38.0
TRADE, TRANSPORT., UTILITIES.....	309.2	305.5	307.9	310.5	310.9	311.8	309.9	293.3	289.8	293.7
Wholesale Trade.....	66.0	65.5	65.8	66.5	67.5	68.3	69.2	64.9	62.7	63.9
Retail Trade.....	194.2	191.3	192.0	192.0	191.3	191.1	188.1	178.4	178.2	179.5
Transport., Warehousing, & Utilities.....	49.0	48.8	50.1	52.1	52.2	52.3	52.7	50.0	48.9	50.4
INFORMATION.....	41.0	39.6	39.0	38.1	37.9	38.4	37.8	34.3	31.7	31.5
FINANCIAL ACTIVITIES.....	142.6	142.7	140.7	142.3	144.3	144.6	143.4	137.6	135.2	134.9
PROFESSIONAL & BUSINESS SERV.....	202.0	196.8	197.1	199.9	204.3	206.4	204.9	189.4	189.9	195.0
EDUCATIONAL & HEALTH SERV.....	259.7	264.0	268.7	273.3	279.6	287.8	296.7	302.4	306.9	314.6
LEISURE AND HOSPITALITY.....	122.8	125.1	127.6	129.5	132.6	135.7	137.3	133.7	133.6	136.5
OTHER SERVICES.....	62.8	62.2	62.5	62.8	63.7	64.1	63.1	61.3	60.5	60.5
GOVERNMENT.....	249.3	246.0	242.8	243.8	245.9	249.2	252.5	248.2	244.2	238.8
TOTAL NONFARM EMPLOYMENT IN LABOR MARKET AREAS										
Bridgeport-Stamford.....	414.4	410.4	409.9	411.3	416.3	419.8	417.3	398.7	396.6	399.1
Danbury.....	69.3	68.4	68.4	69.0	69.2	70.0	69.5	65.5	65.1	66.6
Hartford.....	543.5	535.4	537.5	543.9	550.3	556.2	558.2	539.9	533.2	538.9
New Haven.....	274.5	270.0	271.8	273.4	276.1	277.7	276.9	266.2	264.1	267.1
Norwich-New London.....	133.8	134.0	134.0	135.7	135.7	136.3	136.8	131.6	129.5	128.6
Waterbury.....	69.0	68.5	68.8	68.7	68.6	68.2	66.7	62.9	61.9	62.2
Enfield.....	NA	45.1	46.0	46.9	48.6	48.5	48.3	45.6	44.1	44.4
Torrington.....	NA	36.4	36.6	36.7	37.0	36.9	37.2	35.1	34.8	35.2
Willimantic-Danielson.....	NA	36.0	35.9	36.6	37.2	37.9	37.5	36.0	35.5	35.9
ALL EMPLOYEES HOURS & EARNINGS										
Total Private Average Weekly Hours.....	NA	NA	NA	NA	NA	34.3	34.0	33.0	33.3	33.9
Real Tot Priv Avg Hrlly Earn (82-84\$).....	NA	NA	NA	NA	NA	\$12.82	\$12.87	\$12.96	\$12.88	\$12.55
Real Tot Priv Avg Wkly Earn (82-84\$).....	NA	NA	NA	NA	NA	\$439.86	\$437.66	\$427.84	\$428.85	\$425.60
UNEMPLOYMENT										
Labor Force (000s).....	1,779.0	1,795.0	1,792.1	1,807.0	1,826.8	1,845.7	1,871.9	1,896.0	1,916.6	1,918.1
Employed (000s).....	1,700.9	1,696.9	1,703.9	1,718.6	1,746.0	1,760.9	1,766.8	1,740.4	1,738.5	1,749.5
Unemployed (000s).....	78.0	98.1	88.2	88.4	80.8	84.8	105.1	155.5	178.1	168.6
Unemployment Rate.....	4.4%	5.5%	4.9%	4.9%	4.4%	4.6%	5.6%	8.2%	9.3%	8.8%
Average Weekly Initial Claims.....	5,379	4,934	4,212	4,192	4,045	4,123	4,945	6,414	5,414	5,450
Insured Unemployment Rate.....	3.21%	3.34%	2.80%	2.53%	2.58%	2.44%	2.93%	5.14%	4.32%	3.79%
U-6 Unemployment Rate.....	NA	10.0%	9.1%	8.6%	7.8%	8.2%	10.3%	14.4%	15.7%	15.4%
MANUFACTURING ACTIVITY										
Average Weekly Hours.....	41.6	41.4	41.8	42.2	42.2	42.3	42.4	40.8	41.2	40.6
Real Average Hourly Earnings (82-84\$).....	\$9.80	\$9.87	\$9.94	\$9.93	\$10.03	\$10.17	\$10.15	\$10.99	\$11.07	\$11.17
Real Average Weekly Earnings (82-84\$).....	\$407.88	\$408.57	\$415.70	\$418.62	\$423.39	\$430.30	\$430.43	\$448.52	\$455.93	\$453.70
CT Mfg. Production Index (2005=100).....	91.7	90.8	98.8	100.0	106.3	117.0	108.9	88.1	89.9	91.6
INCOME (mil.\$)										
Real Personal Income (1982-84 \$).....	\$83,139	\$82,517	\$85,457	\$86,433	\$91,294	\$95,045	\$93,710	\$88,959	\$90,046	\$91,756
Real UI Covered Wages (1982-84 \$).....	\$42,997	\$42,755	\$44,096	\$44,670	\$45,437	\$47,146	\$45,674	\$43,452	\$43,550	\$44,428
OTHER ECONOMIC INDICATORS										
New Housing Permits.....	9,607	9,985	11,837	11,885	9,236	7,746	5,220	3,343	3,765	3,113
Construction Contracts (1980=100).....	330.6	334.0	348.2	404.3	503.3	414.8	355.5	284.4	279.7	281.2
New Auto Registrations.....	229,935	253,176	235,587	236,686	213,363	213,992	189,955	146,994	152,079	178,571
Air Cargo Tons.....	143,073	142,293	154,850	159,847	160,882	161,264	146,376	122,117	130,509	136,164
Exports (bil.\$).....	\$8.31	\$8.14	\$8.56	\$9.75	\$12.25	\$13.80	\$15.31	\$13.98	\$16.06	\$16.20
S&P 500: Monthly Close (December).....	879.82	1,111.92	1,211.92	1,248.29	1,418.30	1,468.36	903.25	1,115.10	1,257.64	1,257.60
Net Business Starts (SOS).....	19,785	15,491	19,111	20,088	20,370	19,496	14,018	12,495	13,612	13,384
Total All Taxes.....	\$9,300.9	\$9,680.9	\$10,685.3	\$11,820.3	\$12,605.9	\$13,639.5	\$13,874.5	\$12,188.1	\$12,862.7	\$14,337.7
Corporate Tax.....	\$442.2	\$431.7	\$627.1	\$708.9	\$850.1	\$799.6	\$702.5	\$646.3	\$645.1	\$801.0
Personal Income Tax.....	\$4,180.1	\$4,413.6	\$5,103.2	\$5,703.4	\$6,252.5	\$7,039.2	\$7,368.9	\$6,324.7	\$6,766.0	\$7,672.3
Real Estate Conveyance Tax.....	\$132.3	\$144.4	\$189.2	\$214.3	\$191.3	\$211.3	\$123.3	\$87.6	\$94.8	\$112.1
Sales & Use Tax.....	\$3,104.3	\$3,075.2	\$3,203.6	\$3,333.5	\$3,350.1	\$3,628.8	\$3,531.8	\$3,214.8	\$3,233.3	\$3,532.1
Indian Gaming Payments.....	\$397.6	\$397.6	\$411.4	\$421.0	\$433.6	\$421.2	\$394.8	\$364.9	\$360.7	\$354.6
Info Center Visitors.....	696,709	523,230	439,304	376,547	417,177	400,163	400,804	360,260	316,082	265,334
Major Attraction Visitors (000s).....	2,011.4	1,848.5	1,818.0	1,722.2	1,712.2	1,716.5	1,676.0	1,675.5	1,540.4	1,601.8
Air Passenger Count (000s).....	6,261.8	6,261.8	6,733.1	7,381.4	6,907.0	6,519.2	6,113.0	5,317.4	5,381.0	5,607.8
Indian Gaming Slots (mil.\$).....	\$19,429	\$19,429	\$20,180	\$19,744	\$19,943	\$19,710	\$18,621	\$17,161	\$17,062	\$16,306

--Continued from page 2--

Government's job loss was the worst in the last two decades (-5,400, -2.2%). All but one labor market area employment finally turned the corner in 2011. While all other areas gained jobs, Norwich-New London LMA still experienced job losses last year.

Total private weekly hours grew for the second year, averaging at 33.9 hours, up from 33.3 in 2010. Inflation-adjusted total private hourly earnings, however, continued to fall, bringing weekly earnings down in 2011.

The annual average unemployment rate finally fell to 8.8% in 2011 after four consecutive years of increase. A broader measure of labor underutilization, U-6 unemployment rate, which also includes those who are marginally attached workers and part-timers that want full-time work, also fell to 15.4% last year from 15.7% in 2010.

Along with improving economy, real personal income of state residents rose further last year. Taxes collected last year continued to point to a modest economic recovery in 2011. Overall state revenue rose by 11.5%, the biggest growth since 1994 (13.8%). In fact, all major categories of revenues collected such

as corporate taxes, real estate taxes, personal income taxes, and sales and use taxes increased. Only receipts from Indian gaming continued to decline for five years in a row.

Additional economic indicators suggest that our State's recovery is shifting into a higher gear. For example, the number of new automobile registrations not only continued to rise last year, its 17.4% was the biggest increase since 1998 (18.7%). The construction contracts index also showed an increase after a four-year declining trend. The number of major attraction visitors bounced back, and both air cargo tons and air passenger counts continued to grow in 2011.

However, not all economic indicators were positive last year. The number of new housing permits fell again after increasing in 2010, to the lowest level in its history. The S&P 500 broke even after two years of modest recovery (but has taken off in the new year), and net business starts decreased again.

This Year and Beyond

While January is off to a good start, there may be a few bumps along the recovery road. The trend of

employers doing more with less will continue. Pfizer will be trimming a total of 1,100 jobs in Groton by the end of this year.

Still, despite a weak housing industry, last year's economy was better than in 2010, which included a Census boost. This year is expected to bring a continuation of improving economy and more jobs, while the long-term unemployment declines further. The "first five" initiative is scheduled to bring in jobs, including the research lab, NBC Sports Group (+450 from 2012-2017), and ESPN (+200 from 2011-2016). State and local governments are becoming more stable which will ease the impact on overall employment levels.

Exogenous social, economic, and global shocks notwithstanding, as both government and businesses pull together, Connecticut is poised to kick into a more robust recovery, albeit, never fast enough. Despite the circumstances, by persevering, adapting, and finding new ways of doing things, Connecticut will emerge and prevail into a better future. ■

GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	CHANGE		3Q
	2011	2010	NO.	%	2011
Employment Indexes (1992=100)*					
Leading	118.8	116.4	2.5	2.1	118.2
Coincident	103.6	102.4	1.2	1.2	102.2
General Drift Indicator (1986=100)*					
Leading	104.1	106.4	-2.3	-2.2	106.4
Coincident	107.4	106.5	0.9	0.8	107.6
Farmington Bank Business Barometer (1992=100)**	125.3	124.0	1.2	1.0	124.6
Philadelphia Fed's Coincident Index (July 1992=100)***	JAN	JAN			DEC
<i>(Not seasonally adjusted)</i>	2012	2011			2011
Connecticut	NA	NA	NA	NA	NA
United States	NA	NA	NA	NA	NA

Sources: *The Connecticut Economy, University of Connecticut **Farmington Bank ***Federal Reserve Bank of Philadelphia

The Connecticut Economy's **General Drift Indicators** are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and four leading (housing permits, manufacturing average weekly hours, Hartford help-wanted advertising, and initial unemployment claims) economic variables, and are indexed so 1986 = 100.

The **Farmington Bank Business Barometer** is a measure of overall economic growth in the state of Connecticut that is derived from non-manufacturing employment, real disposable personal income, and manufacturing production.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).